


FRENCH PETROLEUM COMPANY
OF CANADA LTD.



Annual Report
1969



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FRENCH PETROLEUM COMPANY OF CANADA LTD.

DIRECTORS

J. S. BYRN Vancouver, British Columbia
H. J. CHAMPIN Paris, France
F. C. COPE Montreal, Quebec
J. D'EYSSAUTIER Paris, France
W. T. HAMILTON Calgary, Alberta
D. L. TORREY Montreal, Quebec
H. VAUTRIN Paris, France

OFFICERS

H. VAUTRIN *Chairman of the Board*
W. T. HAMILTON *President*
H. J. CHAMPIN *Vice-President*
J. H. LAHERRERE *Vice-President, Exploration*
S. B. LAING *Treasurer*
W. G. TUCKER *Secretary*

HEAD OFFICE

635 SIXTH AVENUE S.W., CALGARY 1, ALBERTA, CANADA

REGISTRARS

THE ROYAL TRUST COMPANY
Calgary, Toronto and Montreal, Canada.

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK
New York, N.Y., U.S.A.

TRANSFER AGENTS

MONTREAL TRUST COMPANY
Calgary, Toronto and Montreal, Canada.

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK
New York, N.Y., U.S.A.

EXCHANGE LISTINGS

TORONTO STOCK EXCHANGE
MONTREAL STOCK EXCHANGE
AMERICAN STOCK EXCHANGE

AUDITORS

PRICE WATERHOUSE & CO.

ANNUAL MEETING

The Annual Meeting of Shareholders of the Company will be held at the head office of the Company, 635 Sixth Avenue Southwest, Calgary, Alberta, at 10:00 a.m. on Friday, May 29, 1970.



Ten Year STATISTICAL REVIEW

OPERATIONS	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960
Proven Oil Reserves (bbls.)	36,729,033	35,771,142	34,094,411	33,104,751	30,088,489	24,309,501	23,122,022	20,235,993	17,130,968	17,788,945
Probable Oil Reserves (bbls.)	9,536,524	10,683,678	10,555,002	10,402,814	9,922,122	12,900,740	11,801,123	10,073,100	12,916,125	7,581,710
Oil and Condensate Production (bbls./year)	1,421,357	1,351,430	1,114,339	1,008,652	988,907	999,736	1,046,494	875,955	722,583	565,418
Proven Gas Reserves (Millions of Cubic Feet)	153,454	126,689	96,980	90,172	93,385	91,405	68,841	—	—	—
Probable Gas Reserves (Millions of Cubic Feet)	22,040	25,916	23,743	14,080	13,994	15,530	1,949	—	—	—
Natural Gas Sales (Mcf/year)	2,636,178	1,873,821	2,041,339	1,958,150	2,037,366	1,750,444	326,978	—	—	—
Gross Land Holdings (acres)	110,971,379	110,864,874	8,957,427	5,524,324	3,915,662	6,334,685	5,860,210	5,439,535	4,584,975	5,272,013
Net Land Holdings (acres)	8,599,946	8,424,542	2,956,728	2,340,990	2,491,711	4,165,070	3,104,070	2,312,815	1,556,110	1,533,641
FINANCIAL										
Gross Revenue from All Sources (after royalty and production costs)	\$ 3,122,874	2,911,111	2,430,997	2,159,437	2,107,504	2,079,687	2,031,824	1,696,262	1,359,544	1,090,425
Net Cash Income	\$ 2,644,398	2,572,433	1,877,211	1,739,694	1,662,902	1,124,532	1,098,893	885,516	598,012	273,994

FRENCH PETROLEUM COMPANY OF CANADA LTD.

Report to the Shareholders

On behalf of the Board of Directors, it is my pleasure to present herewith the Annual Report and Financial Statements of French

Petroleum Company of Canada Ltd. for the fiscal year ended December 31, 1969.

Financial

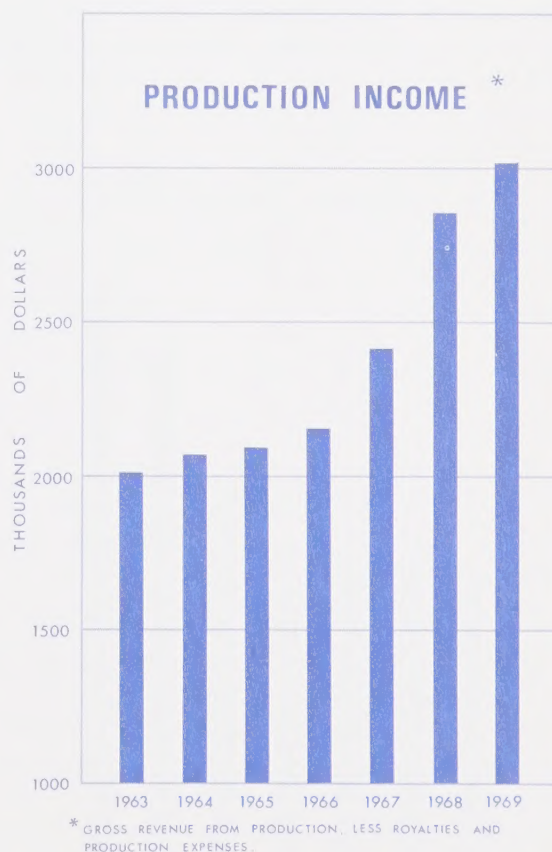
Highlighting financial developments during 1969 was the sale in the United States, during the latter part of October, of 1,000,000 common shares of French Petroleum from which the Company received net proceeds of \$7,600,000 (U.S.). To facilitate the issue and sale of these shares, the authorized capital stock of the Company was increased from 6,500,000 to 12,000,000 common shares, of which a total of 6,571,957 are now outstanding. The funds obtained from the sale of these shares provided for repayment of all current indebtedness and placed the Company in a strong financial position for the completion of its 1969 and 1970 exploration programs. Subsequent to the sale of these additional shares, your Company's shares were listed on the American Stock Exchange and called for trading on January 6, 1970.

Gross revenue for the year compared favorably with that of 1968, although higher operating and administrative costs during 1969 reduced cash flow to approximately the same level as the previous year. Increased charges for depletion and provision to reduce certain investments to market value resulted in a decrease in net profit for the year when compared to 1968.

During 1969, gross income accruing to your Company and its subsidiary from all sources, after royalties and production costs, amounted to \$3,122,874, representing an increase of 7.3% over the corresponding figure for 1968. Cash flow from operations during the year totalled \$2,644,398 or 45.4¢ per share as compared to \$2,572,433 or 46.2¢ per share in 1968 both based on the weighted average number of shares outstanding during the applicable year and after adjustment of the 1968 figure to a comparable

basis with the current year. After providing for depletion and depreciation and provision to reduce certain securities to market value the Company's net income for the year was \$1,016,709 compared to the adjusted \$1,211,862 for the previous year.

Expenses in the amount of \$172,644 incurred with respect to the aforementioned issue of shares in the United States, were charged directly to the deficit of the Company.



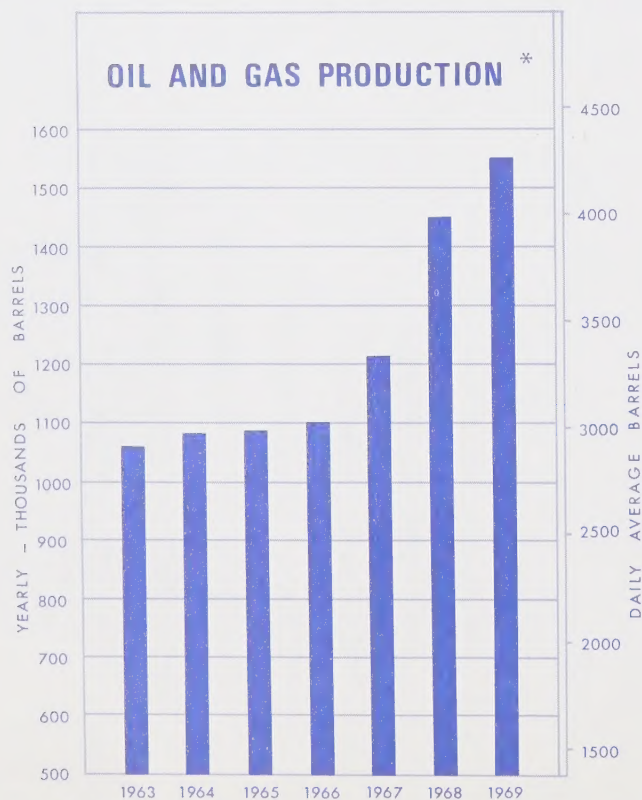
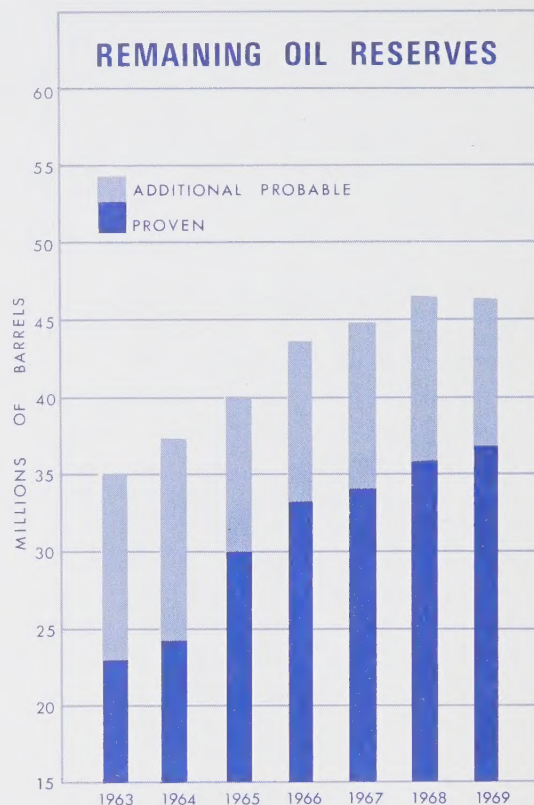
Production and Reserves

Your Company's oil and gas production totals for the year 1969 were both higher than those of the previous year. Crude oil and condensate production for the year totalled 1,421,357 barrels, an increase of 5% over the 1968 total. Natural gas sales increased by 40% to a total of 2.636 billion cubic feet or an average of 7.222 million cubic feet per day. Equating natural gas production to crude oil and condensate on the basis shown in the accompanying graph, your Company's resulting combined production averaged 4,255 barrels per day in 1969, compared with an average of 3,948 barrels per day calculated on the same basis for 1968. All production of the Company's subsidiary, Camerina Oil & Gas Ltd., is included in the foregoing figures.

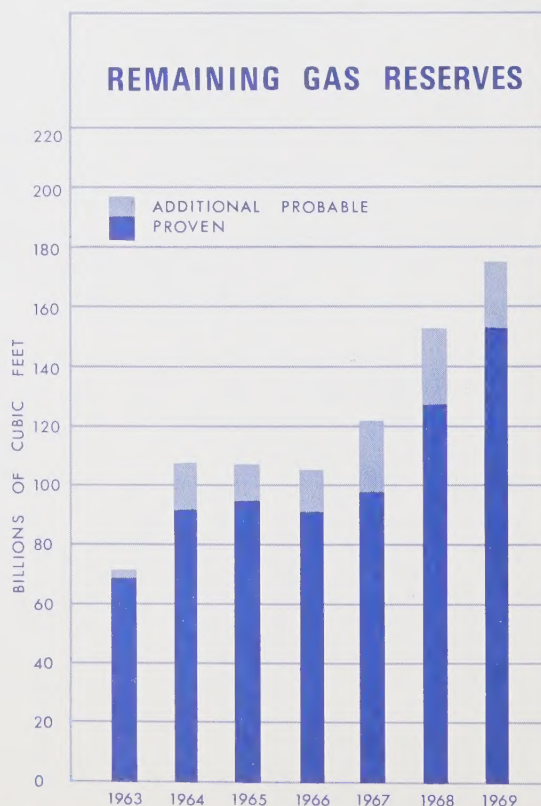
After allowing for the year's production of 1,421,357 barrels, your Company's proven oil and condensate reserves remaining at the end of 1969 were estimated to be 36,729,033 barrels. An estimated 9,536,524 barrels of additional probable reserves brought the combined total to 46,265,557 barrels, slightly lower than the corresponding total of proven and probable oil reserves estimated at the end of the preceding year.

With respect to gas reserves, after making allowance for the 2.636 billion cubic feet of gas produced and sold during 1969, the Company's estimated proven developed gas reserves at year-

end amounted to 153.454 billion cubic feet, representing an increase of 21% over the comparative reserve estimate at the end of 1968. Additional probable gas reserves at the end of 1969 were estimated at 22.040 billion cubic feet.



* NATURAL GAS PRODUCTION EQUATED TO CRUDE OIL AND CONDENSATE ON THE BASIS OF 20,000 CUBIC FEET PER BARREL.



Exploration and Development

In the exploration and development of its properties during 1969 your Company drilled or participated in the drilling of a total of 27 wells, including 8 farmout wells undertaken by other companies without cost to French Petroleum. This drilling program resulted in 5 gas wells, 7 oil wells and 14 abandonments, including an offshore exploratory well in Hudson Bay where weather and ice conditions forced discontinuance of drilling operations prior to attaining the projected depth for the well. One well was still drilling at year-end.

The main exploratory successes occurred in the Helmet area of northeast British Columbia where French Petroleum has interests of 50% and 25%, respectively, in two gas discoveries. Further drilling and seismic work will be under-

taken in order to determine the magnitude of your Company's gas reserves in this area.

Successful gas development drilling was carried out in the Brazeau and Greencourt areas of Alberta, while areas in which successful oil development wells were completed included the Boundary Lake and Peejay areas of British Columbia, the Swan Hills and East Harmattan areas of Alberta and the Elswick area of Saskatchewan.

In addition to drilling operations, the Company maintained an active program of geophysical exploration, participating in seismic work conducted in various areas of British Columbia and Alberta, in the Sibbeston region of the Northwest Territories and off the Labrador coast of eastern Canada.

Land

The land holdings of your Company at the end of 1969 are shown in the following geographical table and on the maps accompanying this report. In addition to new acreage interests obtained in several areas of British Columbia and Alberta in 1969, other interests acquired by the Company during this period were: additional permits in the James Bay region of Ontario containing 381,000 acres in which French Petroleum has a 12½% interest; an increase of interest from 3⅓% to 5% in the 31.8 million acres of offshore Labrador permits; a 20% interest in permits comprising 591,145 gross acres situated

near the North end of Ellef Ringnes Island in the Arctic.

Land interests were reduced in some areas during the year by farmouts, by the normal conversion of certain permits and reservations to leases and by non-renewal of exploratory permits and other acreage considered non-prospective after evaluation. The level of your Company's overall land holdings has, however, remained relatively constant totalling 8,599,946 net acres compared with 8,424,542 net acres at the end of the previous year.

Mackenzie Delta

The discovery of oil by Imperial Oil Enterprises Ltd. in mid-January, 1970 during the drilling of the I.O.E. Atkinson H-25 well located 50 miles northeast of Tuktoyaktuk in the Mackenzie Delta area of the Northwest Territories promises to be the most significant event yet to occur in the exploration of this far northern region. The encouragement given by this positive confirmation of the existence of hydrocarbons in this region will provide the impetus for increased exploration activity during

the coming years by all companies having interests in the area.

As shown on the accompanying map of this region, your Company's land holdings are very well situated in relation to the discovery well. One block of 290,566 acres in which French Petroleum has a 30% interest is located within 15 miles of the discovery. In another larger block, comprising a total of 641,730 gross acres located to the northeast of the discovery well, French Petroleum has an interest equivalent to 166,461 net acres.

FRENCH PETROLEUM COMPANY OF CANADA LTD.
and subsidiary company
TOTAL LAND HOLDINGS AT DECEMBER 31, 1969

	<i>Petroleum and Natural Gas Leases</i>		<i>Reservations, Permits and Licenses</i>		<i>Total</i>	
	Gross	Net	Gross	Net	Gross	Net
British Columbia	127,359	54,988	1,265,498	724,394	1,392,857	779,382
Alberta	1,192,827	527,807	305,268	126,894	1,498,095	654,701
Saskatchewan	27,285	9,590	—	—	27,285	9,590
Yukon	—	—	449,624	292,612	449,624	292,612
Northwest Territories	—	—	1,724,222	963,636	1,724,222	963,636
Arctic	—	—	591,145	118,229	591,145	118,229
Ontario (James Bay)	—	—	3,585,000	448,125	3,585,000	448,125
Ontario (Hudson Bay)	—	—	986,560	61,660	986,560	61,660
Manitoba (Hudson Bay)	—	—	1,538,162	96,135	1,538,162	96,135
Federal (Hudson Bay Offshore)	—	—	57,356,386	3,584,774	57,356,386	3,584,774
Federal (Labrador Offshore)	—	—	31,822,043	1,591,102	31,922,043	1,591,102
	<u>1,347,471</u>	<u>592,385</u>	<u>99,623,908</u>	<u>8,007,561</u>	<u>110,971,379</u>	<u>8,599,946</u>

Proposed French Petroleum-Leonard Refineries Merger

An agreement in principle to merge the operations of French Petroleum Company of Canada Ltd. and Leonard Refineries, Inc. was announced by the Directors of the two companies on March 18, 1970. The announced plan is subject to further evaluation and analysis, approval by the shareholders of both companies, certain other approvals and compliance with necessary legal formalities.

Leonard Refineries, Inc., with facilities in Alma, Bay City, Lansing, Mt. Pleasant and Traverse City in the State of Michigan, gathers, transports, refines and markets petroleum products over a midwestern area of the United States including Michigan and Wisconsin.

The present plan calls for the acquisition of the assets and business of Leonard by FPC through a wholly owned U.S. subsidiary via a tax-free exchange of shares. Holders of Leonard's 1,247,407 outstanding common shares will receive shares of a new \$20 (U.S.) FPC non-cumulative convertible preferred stock on a share-for-share basis. Each preferred share will carry an annual dividend of 70 cents (U.S.) and will be con-

vertible at any time into two shares of FPC common stock and will not be callable for 5 years.

A copy of the full text of the news release announcing this proposal was mailed to the registered shareholders of French Petroleum and further particulars of the agreement will be set forth in a proxy statement for a Special General Meeting of shareholders of the Company to be distributed to all registered shareholders within the next few weeks.

We wish to extend a welcome to our many new shareholders. In addition, as always, your Directors wish to express their appreciation to the employees and the shareholders of the Company for their continued co-operation and support during the year.

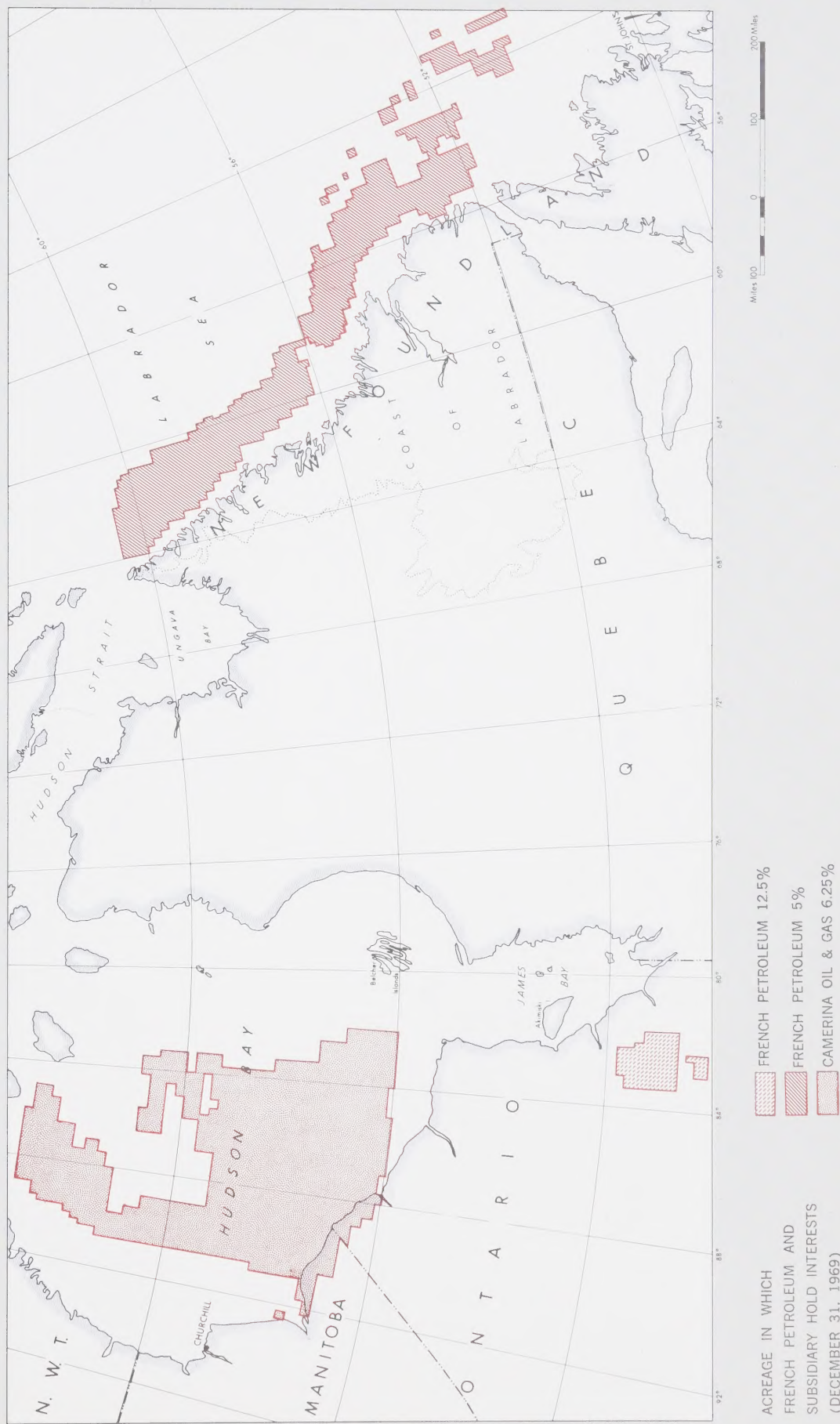
Submitted on behalf of the Board of Directors.



President.

April 15, 1970.

FRENCH PETROLEUM COMPANY OF CANADA LTD. LAND HOLDINGS



NORTH WEST TERRITORIES



AND PORTIONS OF



三

ARCTIC OCEAN

IOE ATKINSON H25
DISCOVERY

Inuvik

ALASKA

YUKON

TERRITORY

NORTHWEST
TERRITORIES

LANDS IN WHICH FRENCH
PETROLEUM HOLDS INTERESTS
(DECEMBER 31, 1969)

OIL PRODUCTION
GAS PRODUCTION

Whitehorse

POINTE MOUNTAIN

BRITISH COLUMBIA

ALBERTA

YUKON and NORTHWEST TERRITORIES

OIL PRODUCTION
GAS PRODUCTION



Auditors' Report

TO THE SHAREHOLDERS OF
FRENCH PETROLEUM COMPANY OF CANADA LTD.

We have examined the consolidated balance sheet of French Petroleum Company of Canada Ltd. and its subsidiary as at December 31, 1969 and the consolidated statements of income and deficit and source and disposition of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and disposition of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta.
March 2, 1970.

PricewaterhouseCoopers
Chartered Accountants.

FRENCH PETROLEUM COMPANY OF CANADA LTD.

AND SUBSIDIARY COMPANY

Consolidated Statement of Income and Deficit

For the year ended December 31, 1969

(With comparative figures for 1968)

	1969	1968
Gross revenue from production, less royalties	\$ 3,400,231	\$ 3,213,696
Production expenses	385,982	362,934
	3,014,249	2,850,762
Investment income	108,625	60,349
	3,122,874	2,911,111
Operating departmental expenses	172,641	148,955
Administrative and general expenses	253,335	187,748
Interest expense	52,500	1,975
	478,476	338,678
NET CASH INCOME	2,644,398	2,572,433
Depletion	1,405,328	1,198,710
Depreciation	169,518	171,587
Loss (profit) on disposal of assets	(3,977)	(9,726)
Provision to reduce cost of securities to market value	56,820	—
	1,627,689	1,360,571
NET INCOME FOR THE YEAR (NOTE 4)	1,016,709	1,211,862
Deficit, beginning of year	8,346,245	9,516,966
Share issue costs (Note 7)	172,644	41,141
	8,518,889	9,558,107
DEFICIT, END OF YEAR	\$7,502,180	\$8,346,245
Net income per share	\$.17	\$.22

FRENCH PETROLEUM COMPANY OF CANADA LTD.

AND SUBSIDIARY COMPANY

Consolidated Statement of Source and Disposition of Working Capital

For the year ended December 31, 1969

(With comparative figures for 1968)



	1969	1968
Source of working capital:		
Net income for the year	\$ 1,016,709	\$ 1,211,862
Non-cash charges and credits to income—		
Depreciation and depletion	1,574,846	1,370,297
Profit on disposal of depreciable assets	(3,977)	(9,726)
	<u>2,587,578</u>	<u>2,572,433</u>
Sale of future production	—	1,500,000
Income deferred from previous sale of future production	(1,493,249)	—
	<u>1,094,329</u>	<u>4,072,433</u>
Capital stock issued	8,198,898	11,137
Sale of property	38,606	366,269
Advance from parent company	2,175,000	—
	<u>11,506,833</u>	<u>4,449,839</u>
Disposition of working capital:		
Petroleum and natural gas properties—		
Purchase of properties	1,799,979	753,027
Drilling	1,726,938	1,358,725
Exploration	2,528,454	2,513,727
Lease and reservation rentals	561,896	435,634
Production equipment and other capital assets	318,280	267,914
Repayment of advance from parent company	2,175,000	—
Share issue costs	172,644	41,141
	<u>9,283,191</u>	<u>5,370,168</u>
Increase (decrease) in working capital	2,223,642	(920,329)
Working capital, beginning of year	1,994,257	2,914,586
Working capital, end of year	<u>\$ 4,217,899</u>	<u>\$ 1,994,257</u>

CONSOLIDATED BALANCE SHEET

OF CANADA LTD.

ET at December 31, 1969

LIABILITIES

	1969	1968
LIABILITIES:		
payable	\$ 805,522	\$ 709,966
rent company	70,076	68,076
of partner's share of costs	—	67,908
	<u>875,598</u>	<u>845,950</u>
PRODUCTION INCOME (Note 2)	6,751	1,500,000
OWNERS' OWNERSHIP:		
Stock (Note 3)—		
shares of no par value—		
authorized—12,000,000 shares		
—6,571,957 shares	54,475,800	46,276,902
statement attached	7,502,180	8,346,245
	<u>46,973,620</u>	<u>37,930,657</u>
NET LIABILITY (Note 6)		
APPROVED ON BEHALF OF THE BOARD:		
 Director		
 Director		
	<u>\$47,855,969</u>	<u>\$40,276,607</u>



AND SUBSIDIARY COMPAN

(With comparative figures for 1968)

OF CANADA LTD.

at December 31, 1969

LIABILITIES

	1969	1968
LIABILITIES:		
able	\$ 805,522	\$ 709,966
nt company	70,076	68,076
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	<u>875,598</u>	<u>845,950</u>
RODUCTION INCOME (Note 2)	<u>6,751</u>	<u>1,500,000</u>
RS' OWNERSHIP:		
(Note 3)—		
shares of no par value—		
ed—12,000,000 shares		
6,571,957 shares	54,475,800	46,276,902
atement attached	7,502,180	8,346,245
	<u>46,973,620</u>	<u>37,930,657</u>
LIABILITY (Note 6)		
OVED ON BEHALF OF THE BOARD:		
	<i>Director</i>	
	<i>Director</i>	
	<u>\$47,855,969</u>	<u>\$40,276,607</u>

FRENCH PETROLEUM COMPANY OF CANADA LTD.

AND SUBSIDIARY COMPANY

Notes to Consolidated Financial Statements

December 31, 1969

1. PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Camerina Oil & Gas Ltd.

The Company's investment in its subsidiary (accounted for on an equity basis) exceeds the net assets of the subsidiary by \$1,038,710 as at December 31, 1969. This difference represents an amount of \$1,171,750 in excess of book value paid by the Company on acquisition of the subsidiary which has been charged to petroleum and natural gas properties, less additional depletion of \$133,040 on the excess on consolidation which has been credited to accumulated depletion.

2. ACCOUNTING PRACTICES:

(a) Petroleum and natural gas interests—

The full cost method of accounting for petroleum and natural gas interests has been followed by the Company since January 1, 1965 and by its subsidiary from date of acquisition. Under this method all amounts expended with respect to the acquisition, retention, exploration for and development of oil and gas properties including exploration overhead have been capitalized, whether productive or unproductive, as representing the cost of the companies' reserves. Proceeds of disposals ordinarily are applied in full against such costs. Depletion has been provided by the unit of production method based upon total costs in relation to overall estimates of proven reserves of oil and gas.

(b) Production equipment and other capital assets—

Production equipment and other capital assets are depreciated by the straight line method at rates designed to amortize costs over the estimated service life of the assets; a rate of 5% per annum is applied to production equipment which constitutes the major portion of the depreciable assets. Upon retirement or sale the difference between the net book value of the items and the proceeds is charged or credited to income. Maintenance and repairs are charged to income when incurred and betterments which extend the service life of equipment are capitalized.

(c) Deferred production income—

The deferred credit arising from the sale of future production in 1968 has been taken into income as the oil was produced.

3. CAPITAL STOCK AND SHARE OPTIONS:

On October 3, 1969, the Company's authorized capital was increased by 5,500,000 to 12,000,000 common shares without nominal or par value.

Changes in issued capital stock are summarized below:

	<i>Number of shares</i>	<i>Amount</i>
Outstanding at December 31, 1968	5,569,457	\$46,276,902
Issued for cash	1,000,000	8,188,773
Issued for cash upon exercise of stock option at \$4.05 per share	2,500	10,125
Outstanding at December 31, 1969	<u>6,571,957</u>	<u>\$54,475,800</u>

During the year stock options were granted to certain officers and employees of the Company to purchase 53,850 shares of the Company at \$7.25 per share which price was approximately 93% of market value at date of grant. These options were outstanding at December 31, 1969 and expire on January 14, 1974.

4. INCOME TAXES:

For income tax purposes the companies are entitled to claim drilling, exploration and lease acquisition costs and capital cost allowances (depreciation) in amounts which may exceed the related depletion and depreciation provisions reflected in the accounts. For 1969 the companies do not intend to claim capital cost allowances in excess of recorded depreciation but will claim other deductions in amounts sufficient to eliminate taxable income. After such claims approximately \$31,500,000 of drilling, exploration and lease acquisition costs and \$3,200,000 of undepreciated capital costs will remain to be carried forward and applied against future taxable income.

The Accounting and Auditing Research Committee of The Canadian Institute of Chartered Accountants has recommended the income tax allocation method of accounting effective for fiscal years commencing on or after January 1 1968 whereby the income tax provision is based on the income reported in the accounts. However, management does not consider it appropriate to apply this method to differences in the timing of deductions for tax and accounting purposes with respect to drilling, exploration and lease acquisition costs; this view conforms with general practice in the oil and gas industry and is accepted by accounting authorities outside Canada.

If the tax allocation method had been followed for all timing differences between taxable income and reported income deferred income taxes of \$420,000 (\$520,000 in 1968) would have been provided. On an accumulated basis to December 31, 1969, after deducting the deferred income tax credit of the subsidiary at date of acquisition, the consolidated balance sheet would have included as an asset a deferred income tax charge of \$133,000 as a result of deductions for tax purposes being less than the related amounts charged off in the accounts.

5. RETIREMENT PLAN:

The Company's retirement pension plan, as amended, is a non-contributory plan integrated with the Canada Pension Plan to provide a 2% pension benefit for each year of membership based on the best five year's earnings prior to retirement. A past service liability arising in connection with a change in benefits effective April 1, 1969 amounts to \$285,000 payable in annual instalments of \$13,565 over a period of twenty-one years; no provision has been made in the accounts for this liability and the additional annual premiums will be charged to income as incurred. Costs of the plan for the year ended December 31, 1969 amounted to approximately \$42,000.

6. CONTINGENT LIABILITY:

The Company has deposited with the Canadian Government non-interest bearing demand notes of \$63,157 as performance deposits in respect of exploratory rights.

7. SHARE ISSUE COSTS:

In 1969 share issue costs were charged to deficit; in 1968 and prior years such costs were charged to income. The comparative figures for 1968 have been restated to reflect share issue costs of \$41,141 as a charge to deficit.

8. STATUTORY INFORMATION:

For the year ended December 31, 1969 fees of directors not holding salaried positions amounted to \$3,750 while the total remuneration of directors holding salaried positions amounted to \$71,881.



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**FRENCH PETROLEUM COMPANY
OF CANADA LTD.**

and Subsidiary Company

Consolidated Statement of Profit and Loss

	FIRST HALF	
	1969	1968
INCOME		
Production sales, less royalties paid	\$1,632,406	\$1,529,024
Investment and other income	93,696	125,855
	<u>1,726,102</u>	<u>1,654,879</u>
EXPENSES		
Well operating costs	177,116	157,443
Administrative and general	278,808	293,649
	<u>455,924</u>	<u>451,092</u>
Net cash income	1,270,178	1,203,787
Depreciation, amortization and other non-cash charges	736,817	666,260
Net profit for period	<u>\$ 533,361</u>	<u>\$ 537,527</u>

**Consolidated Statement of Source and
Disposition of Working Capital**

SOURCE		
Net cash income	\$1,270,178	\$1,203,787
Sales of common shares	10,125	11,137
Proceeds from disposals of assets	6,969	336
Advanced by parent company	1,700,000	—
	<u>\$2,987,272</u>	<u>\$1,215,260</u>
DISPOSITION		
Reduction in deferred production income	\$ 716,009	—
Petroleum and natural gas properties	4,200,784	2,686,570
Production and other equipment	109,133	43,761
	<u>\$5,025,926</u>	<u>\$2,985,568</u>
Increase (decrease) in working capital	(2,038,654)	(1,770,308)
	<u>\$2,987,272</u>	<u>\$1,215,260</u>

**FRENCH PETROLEUM
COMPANY OF CANADA LTD.**



INTERIM REPORT

SIX MONTH PERIOD ENDED JUNE 30

1969

TO THE SHAREHOLDERS:

As reflected in the accompanying summary of operations, your Company experienced moderate gains in both production and revenue during the first half of 1969, as compared to the equivalent period of last year.

Production of crude oil and condensate during the first half of 1969 totalled 688,626 barrels, representing an increase of 6% over the 647,516 barrels produced during the equivalent period of last year. Natural gas sales increased by 21% to an average of 6035 Mcf per day as compared to 4962 Mcf per day during the first half of 1968. The combined production of crude oil, condensate and natural gas (expressed as equivalent barrels) averaged 4106 barrels per day, compared to 3806 barrels per day during the corresponding six-month period of last year.

Unaudited financial figures show that gross revenue accruing to your Company and its subsidiary from production sales during the first half of this year (after payment of royalties) increased to \$1,632,406 from \$1,529,024 for the same period last year. Cash flow amounted to \$1,270,178 representing an increase of 5½% over the comparative 1968 period. Net profit for the six months ending June 30, 1969 was \$533,361 which compares with \$537,527 during the first half of 1968.

Your Company's exploration activity during the first half of this year included, in addition to substantial seismic work, participation in the drilling of 12 wildcat wells, of which 3 were drilled without cost to the Company. This exploratory drilling program resulted in 2 gas discoveries located in the Peggo and Helmet areas of northeastern British Columbia in which the Company owns interests of 50% and 25% respectively. In addition, your Company participated to the extent of an 11¼% interest in the drilling of two gas development wells located in the Brazeau area of Alberta.

An agreement which was finalized during the month of June resulted in the commencement during July of a drilling program of several wells to further delineate the boundaries of production in the Elswick

area of Saskatchewan. This drilling is being undertaken at no cost to your Company pursuant to a farmout of a portion of jointly owned acreage by French Petroleum and its partner in this area.

In addition to the acreage interests acquired by your company in the North Zama and Senex areas (as previously mentioned in the Company's Interim Report covering the first quarter of 1969), further land interests acquired during the second quarter included additional permits comprising 381,000 gross acres located in the James Bay region of Ontario, in which your company has a 12½% interest. During this period also, your Company increased its interest in the approximately 32 million acres of offshore Labrador permits from 3⅓% to 5% which represents, in terms of net acreage, an increase of 531,156 net acres.

With respect to the summer offshore drilling program in Hudson Bay in which your Company is participating, the drilling rig (Western Offshore II) is on location and has commenced drilling the first exploratory well. A second offshore test is planned providing sufficient operating time remains after completion of drilling of the first well.

Submitted on behalf of
the Board of Directors



President

August 15, 1969.

FRENCH PETROLEUM COMPANY OF CANADA LTD.

and Subsidiary Company

Production and Land

	FIRST HALF	
	1969	1968
Total crude oil and condensate (bbls.)	688,626	647,516
Average bbls. per day	3,804	3,558
Total natural gas sales (mcf)	1,092,342	903,023
Average mcf per day	6,035	4,962
Gross land holdings (acres)	111,306,598	10,858,704
Net land holdings (acres)	8,947,226	3,073,687